

### **REMARKS**

This amendment is responsive to the Office Action dated July 13, 2004. Applicant has not amended, canceled or added claims. Claims 17-28 are pending.

The Examiner provisionally rejected claims 17-28 under the judicially created doctrine of obviousness-type double patenting as being unpatentable over claims 24-35 of copending application no. 09/862,993. Because claims 24-35 of copending application no. 09/862,993 are not yet patented, it would be premature for Applicants to respond to the double patenting rejection at this time.

The principal basis for the claim rejections is 35 U.S.C. § 101. The Examiner concluded that claims 17-28 are directed to non-statutory subject matter.

The basis for the rejection was a two-prong test: (1) whether the invention is within the technological arts; and (2) whether the invention produces a useful, concrete and tangible result. According to the Examiner, the claimed invention is an abstract idea that is not within the technological arts. The Examiner conceded, however, that "the recited process produces a useful, concrete, and tangible result."

### **The Examiner Has Not Set Forth the Legal Basis for the Rejections**

The Examiner's decision is contrary to In re Lee, 61 USPQ2d 1430, 1432-33 (Fed. Cir. 2002). In re Lee requires that the agency not merely set forth its decision, but also the grounds for the decision with a full and reasoned explanation. Id. at 1432-33. Conclusory statements from the Examiner do not satisfy this legal obligation. Id. at 1434.

In this case, the Examiner propounded a two-prong legal test with no explanation as to the legal source of the test or the rationale underlying it. The so-called two-prong test is not found in section 101, and the Examiner did not set forth any legal justification for the test. The Examiner further asserted that claims 17-28 recite an abstract idea, without any recitation of any legal authorities underlying the analysis. The Examiner merely concluded that the claimed invention is an abstract idea because "the recited steps can be performed in the mind of the user or by pencil and paper."

The rejections should be withdrawn because the Examiner has not set forth the legal basis for the Examiner's action.

**The Examiner Is Improperly Resurrecting the “Business Method Exception”**

In State Street Bank & Trust Co. v. Signature Financial Group, Inc., 149 F.3d 1368, 47 USPQ2d 1596 (Fed. Cir. 1998), the Federal Circuit did away with the so-called “business methods” exception to statutory subject matter. In State Street Bank, a business method implemented by a computer was determined to produce a “useful, concrete and tangible result,” namely, a final share price.

The State Street Bank decision did not adopt the two-prong test that the Examiner has applied. On the contrary, State Street Bank demonstrates that the Examiner’s reasoning is in error.

In State Street Bank, the Federal Circuit stated:

The plain and unambiguous meaning of § 101 is that any invention falling within one of the four stated categories of statutory subject matter may be patented, provided it meets the other requirements for patentability set forth in Title 35, i.e., those found in §§ 102, 103, and 112.

47 USPQ2d at 1600. The Court went on to say:

The question of whether a claim encompasses statutory subject matter should not focus on which of the four categories of subject matter a claim is directed to—process, machine, manufacture, or composition of matter—but rather on the essential characteristics of the subject matter, in particular, its practical utility.

Id. at 1602. Consequently, a proper analysis recognizes that a process encompasses patentable subject matter if the claimed subject matter has “practical utility.” The Examiner two-prong test is clearly inconsistent with the language of the Federal Circuit in State Street Bank.

In effect, the Examiner is trying to resurrect the “business methods” exception that was laid to rest in State Street Bank. Until the mid 1990’s, the United States Patent and Trademark Office rejected methods of doing business out of hand, saying that they were outside the statutory classes of patentable subject matter. See State Street Bank, 47 USPQ2d at 1604. In State Street Bank, the Federal Circuit made it clear that “Whether the claims are directed to subject matter within § 101 should not turn on whether the claimed subject matter does ‘business’ instead of something else.” Id. In other words, a business-directed process is still a “process” under 35 U.S.C. § 101. The claimed method need not perform a process that is grounded in science or

technology in order to be patentable. The claimed method may be patentable even if the claimed method carries out “business.”

The Examiner’s conclusion is also at odds with AT&T Corp. v. Excel Communications, Inc., 50 USPQ2d 1447 (Fed. Cir. 1999). In AT&T, the Federal Circuit began its discussion of section 101 by noting that “Congress intended statutory subject matter to ‘include anything under the sun that is made by man.’” Id. at 1449 (quoting Diamond v. Chakrabarty, 447 U.S. 303, 309 (1980)). The Federal Circuit continued: “Despite this seemingly limitless expanse, the [Supreme] Court has specifically identified three categories of unpatentable subject matter: ‘laws of nature, natural phenomena, and abstract ideas.’” AT&T, 50 USPQ2d at 1450 (quoting Diamond v. Diehr, 450 U.S. 175, 185 (1981)).

The subject matter claimed in claims 17-28 is not a law of nature, nor is it a natural phenomenon. Nor is the claimed subject matter an abstract idea, because the claimed subject matter has a practical application.

The analysis of AT&T makes no mention of a “technological arts” requirement, in the sense that patentable subject matter must be based in science or technology. On the contrary, the Federal Circuit suggested that no such requirement exists. In AT&T, The Federal Circuit reaffirmed the validity of State Street Bank and further disposed of the requirement that there must be some sort of “physical transformation” of subject matter for a method to be patent eligible. AT&T, 50 USPQ2d at 1452-53. The Examiner’s conclusion that the claimed invention is an abstract idea because “the recited steps can be performed in the mind of the user or by pencil and paper” is at odds with AT&T.

### **The Claimed Processes Are Directed to a “Technological Art”**

Assuming for the sake of argument that an invention must be directed to a “technological art” to be patentable, the Examiner has not proffered any definition or scope of “technological art.” Although it is true that many definitions of “technology,” “technical” and “technological” invoke the concept of science, the broadest definitions do not require a strictly scientific application. For example, a definition of “technology” from Wikipedia (<http://en.wikipedia.org/wiki/Technology>) is “the development and application of tools, machines, materials and processes that help to solve human problems.” According to this

definition, the claimed methods are clearly within the “technological arts,” because they pertain to the development and application of processes that help to solve human problems.

Claims 17-28 are directed to processes that solve real-life problems and achieve real-life benefits. The claimed methods are directed to an advance of practical knowledge. In addition, the specification describes innovative techniques and formulas for allocating risk. The techniques and formulas are more than mere abstractions, and relate to new approaches that address concrete problems in the business world. The approaches result in the physical generation of contracts and the physical change in possession of items of value, including commodities.

#### **The Agency’s Action is Arbitrary, Capricious and Unreasonable**

As noted above, notwithstanding the inapplicability of the “technological art” finding to patentability under section 101, Applicants have proffered a definition of “technological art” that includes the claimed invention. The Examiner has not proffered any definition or scope of “technological art.” By rejecting claims 17-28 without a definition of “technological art,” the Examiner has acted arbitrarily, capriciously or unreasonably. The Examiner is, in effect, denying intellectual property protection for a valuable invention that Applicants have researched, developed and described in detail, without delineating what is and what is not a “technological art.”

The Examiner has suggested that the rejections under section 101 could be overcome by relating at least one method step in each claim to a computer. This suggestion from the Examiner is a further indication that the Examiner has acted arbitrarily, capriciously or unreasonably. The Congress has determined that a “process” is subject to patent protection under section 101, and the Examiner acts arbitrarily, capriciously or unreasonably by requiring that at least one step in an otherwise patentable process be performed by a machine. In other words, if a process is patent-eligible, then the process ought to be patent-eligible without regard to whether the process is carried out by a person or by a machine. Furthermore, the effect of the Examiner’s suggestion would be to encourage recitation of incidental machine involvement in a business process without regard to the new, useful and concrete aspects of the invention. Determinations of patent eligibility should not turn on such incidental recitations, and the

Examiner acts arbitrarily, capriciously or unreasonably when allowing or rejecting inventions on such a basis.

**The Agency's Action is Unconstitutional**

The United States Patent and Trademark Office, acting per the Examiner, is under the Executive Branch of government, as set forth in Article 2 of the United States Constitution. The Congress is under the Legislative Branch, as set forth in Article 1. Pursuant to the constitutional principle of Separation of Powers, the United States Patent and Trademark Office cannot exercise powers that reside in the Congress.

In State Street Bank, the Federal Circuit noted that "it is improper to read limitations into § 101 on the subject matter that may be patented wherein the legislative history indicates that Congress clearly did not intend such limitations." 47 USPQ2d at 1600. By reading limitations on business methods into section 101, as described above, the United States Patent and Trademark Office is exercising powers that are within the functions of the Legislative Branch.

**CONCLUSION**

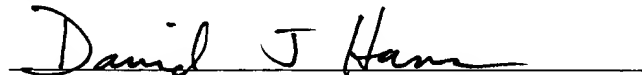
All claims in this application are in condition for allowance. Applicant respectfully requests reconsideration and prompt allowance of all pending claims. Please charge any additional fees or credit any overpayment to deposit account number 50-1778. The Examiner is invited to telephone the below-signed attorney to discuss this application.

Date:

November 12, 2004

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